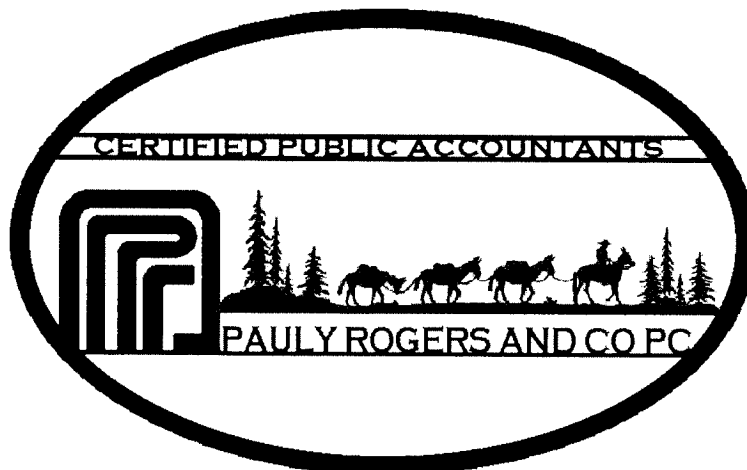


RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2019



12700 SW 72nd Ave.
Tigard, OR 97223

RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

FINANCIAL REPORT
For the Year Ended June 30, 2019

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RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

BOARD OF EDUCATION AS OF JUNE 30, 2019

| <u>NAME</u> | <u>TERM EXPIRES</u> |
|-------------------------|---------------------|
| Michelle Janke, Chair | June 30, 2021 |
| John Bogaty, Vice Chair | June 30, 2021 |
| Carrie Banks | June 30, 2021 |
| Paul Spellman | June 30, 2019 |
| Joe Prats | June 30, 2021 |

ADMINISTRATION

Jim Schlachter, Superintendent

11733 SW Breyman Avenue
Portland, Oregon 97219-8409

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RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

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RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

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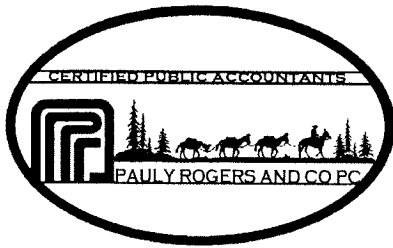
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12700 SW 72nd Ave. Tigard, OR 97223
(503) 620-2632 (503) 684-7523 FAX
www.paulyrogersandcogas.com

December 11, 2019

To the Board of Directors
Riverdale School District 51J
Multnomah County, Oregon

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying basic financial statements of the governmental activities and each major fund of Riverdale School District 51J (the District), as of and for the year ended June 30, 2019, and the related notes to the basic financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these basic financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of basic financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Riverdale School District 51J as of June 30, 2019 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The District adopted the provisions of GASB Statement No. 83 *Certain Asset Retirement Obligations* and GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* for the year ended June 30, 2019. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and required supplemental information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the Management's Discussion and Analysis or the Schedule of changes in total OPEB liability and related ratios for Health Insurance or the Schedules of Net Pension Liability and Contributions for PERS because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance on them.

Budgetary comparison schedules presented as Required Supplementary Information, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and in our opinion are fairly stated in all material respect in relation to the basic financial statements taken as a whole.

Supplementary Information

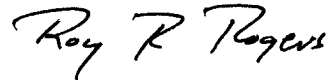
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The listing of board members containing their term expiration dates, located before the table of contents, and the other information, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Reports on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 11, 2019 on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

A handwritten signature in black ink that reads "Roy R. Rogers". The signature is written in a cursive style with a large, stylized "R" and "R".

Roy R. Rogers, CPA
PAULY, ROGERS AND CO., P.C.

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RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

As management of Riverdale School District ("the District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2019.

FINANCIAL HIGHLIGHTS

- In the government-wide statements, the liabilities of the District exceeded its assets on June 30, 2019 by \$2,108,296.
- The District's governmental funds report a combined ending fund balance of \$2,296,338 on June 30, 2019.
- At the end of the fiscal year total fund balance for the General Fund was \$874,478 which represents 9.4% of the total General Fund revenues.
- On June 30, 2019, the District's long-term liabilities totaled \$31,849,235.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the assets and liabilities, including capital assets and long-term liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the net position of the District changed during the most recent fiscal year. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

In the *government-wide financial statements*, the District's activities are shown in one category as governmental activities. These activities include services related to education K-12. These activities are primarily financed through property taxes, Oregon's State School Fund, tuition, and other intergovernmental revenues.

The government-wide financial statements can be found on pages 1 and 2 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The District maintains six major funds: General Fund, Special Revenue Fund, Debt Service Fund, Pension Obligation Bond Fund, Construction Excise Tax Fund, and Capital Projects Fund. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for all funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 7-30 of this report.

Overview of the Financial Statements, continued

Government-Wide Financial Analysis

Statement of Net Position. The Statement of Net Position presents information on all the District assets and liabilities, with the difference between the two reported net positions. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Table 1 provides a comparative summary of the Riverdale District's net assets for the year ending June 30, 2018 and 2019, respectively.

| Table 1 | | | |
|--------------------------------------|----------------------------|----------------------------|--------------------------|
| Governmental Activities | | | |
| | <u>30-Jun-18</u> | <u>30-Jun-19</u> | Increase (Decrease) |
| Assets | | | |
| Current Assets | \$2,249,131 | \$2,933,505 | \$684,374 |
| Net capital Assets | 25,397,751 | 24,795,890 | -601,861 |
| Total Assets | <u>27,646,882</u> | <u>27,729,395</u> | <u>82,513</u> |
| Deferred Outflow of Resources | | | |
| Deferred Loss on Bond Refunding | \$699,077 | \$582,564 | -116,513 |
| Pension Related Deferrals | 3,226,771 | 3,580,111 | 353,340 |
| OPEB Related Deferrals | 0 | 20,566 | 20,566 |
| Total Deferred Outflow of Resources | <u>3,925,848</u> | <u>4,183,241</u> | <u>257,393</u> |
| Liabilities | | | |
| Current Liabilities | 1,625,519 | 1,571,835 | -53,684 |
| Long Term Liabilities | 30,881,856 | 31,849,235 | 967,379 |
| Total Liabilities | <u>32,507,375</u> | <u>33,421,070</u> | <u>913,695</u> |
| Deferred Inflows of Resources | 227,518 | 599,862 | 372,344 |
| Net Assets | | | |
| Invested in Capital Assets | 3,487,248 | 2,783,154 | -704,094 |
| Restricted Assets | 1,414,593 | 1,421,860 | 7,267 |
| Unrestricted Assets | <u>-6,064,004</u> | <u>-6,313,310</u> | <u>-249,306</u> |
| Total Net Position | <u><u>-\$1,162,163</u></u> | <u><u>-\$2,108,296</u></u> | <u><u>-\$946,133</u></u> |

A large portion of the District's net assets reflects its investment in capital assets (e.g. land, buildings, vehicles and equipment). As the District uses its capital assets to provide services to students and other District residents, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources (generally property taxes), since the capital assets themselves cannot be used to liquidate these liabilities.

The decrease in net position is principally due to updates related to the net pension obligation.

Overview of the Financial Statements, continued

Table 2 shows the comparative net change in Governmental Funds for the year ending June 30, 2018 and 2019, respectively.

Table 2
Net Change in Fund Balance - Governmental Funds

| | <u>30-Jun-18</u> | <u>30-Jun-19</u> | Increase (Decrease) |
|----------------------------------|--------------------------|--------------------------|-------------------------|
| Revenues | | | |
| Charges for Services | \$1,205,322 | \$1,303,840 | \$98,518 |
| Operating Grants & Contributions | 1,305,245 | 1,550,669 | 245,424 |
| General Revenues | 9,217,072 | 9,392,248 | 175,176 |
| Total Revenues | <u>11,727,639</u> | <u>12,246,757</u> | <u>519,118</u> |
| Expenditures | | | |
| Instruction | 7,414,708 | 7,173,433 | -241,275 |
| Support Services | 3,876,505 | 4,348,968 | 472,463 |
| Community Services | 8,463 | 7,785 | -678 |
| Facilities Acq & Construction | 20,550 | 2,701 | -17,849 |
| Interest of Long Term Debt | 1,404,349 | 1,448,745 | 44,396 |
| Total Expenditures | <u>12,724,575</u> | <u>12,981,632</u> | <u>257,057</u> |
| Net Change in Fund Balance: | <u><u>-\$996,936</u></u> | <u><u>-\$734,875</u></u> | <u><u>\$262,061</u></u> |

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the District's *governmental funds* is to provide information on relatively short-term cash flow and funding for future basic services. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

The *General Fund* is the chief operating fund of the District. As of June 30, 2019, total fund balance was \$874,478 while total assets were \$1,345,537.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared according to Oregon law and is based on accounting for transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

Table 3 shows the comparative showing the net change in the General Fund Balance for the year ending June 30, 2018 and 2019, respectively.

Table 3
Net Change in General Fund Balance

| | <u>30-Jun-18</u> | <u>30-Jun-19</u> | Increase (Decrease) |
|-----------------------------|--------------------------|-------------------------|-------------------------|
| Revenues | | | |
| Local Sources | \$5,519,384 | \$5,822,961 | \$303,577 |
| Intermediate Sources | 325 | 0 | -325 |
| State Sources | 3,257,685 | 3,431,899 | 174,214 |
| Federal Grants | 26,454 | 13,864 | -12,590 |
| Total Revenues | <u>8,803,848</u> | <u>9,268,724</u> | <u>464,876</u> |
| Expenditures | | | |
| Instruction | 5,928,851 | 5,423,448 | -505,403 |
| Support Service | 3,375,273 | 3,569,257 | 193,984 |
| Total Expenditures | <u>9,304,124</u> | <u>8,992,705</u> | <u>-311,419</u> |
| Net Change in Fund Balance: | <u><u>-\$500,276</u></u> | <u><u>\$276,019</u></u> | <u><u>\$776,295</u></u> |

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The District's investment in capital assets includes land, buildings and improvements, site improvements, vehicles and equipment. As of June 30, 2019 the District had invested \$24,795,890 in capital assets. Depreciation expense for the year totaled \$682,488.

Capital assets represent 89% of total assets. Remaining assets consist mainly of cash and investments, grants and property taxes receivable.

Long-term debt. The District's largest liability is for the repayment of long-term debt and obligations including post-employment benefit obligations, the PERS net obligation, and all general obligation and limited tax pension obligation bonds due in more than one year. At the end of the current fiscal year, the District had a total debt outstanding of \$25,324,373.

Other liabilities consist principally of the debt and obligations due within one year, capital leases due within one year, payables on accounts, and accrued salaries and benefits.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District derives most of its general fund revenues from the State School Fund and its associated funding distribution formula. The state budget and the legislative appropriation for schools are highly dependent on state revenue raised primarily through income taxes. The outlook for the state economy is a leading indicator of the health of the District's revenue stream. The majority of funding provided by the State to the District is based on the District's average daily membership of students. The District received approximately \$8,082 per student in fiscal year 2019 from the State School Fund Formula.

Student membership is expected to remain stable at the Grade School and at the High School over the next several years. Reduction in resident and transfer student membership creates a financial burden upon the district.

The 2019-20 budget was based on a K-12 state funding level of \$9 billion, which is about 9% higher than the legislatively approved 2017-19 K-12 funding level.

Salary and benefit costs for the District for 2019-20 are defined by the 2017-2021 Collective Bargaining Agreement between the District and Riverdale Teachers Association.

The adopted budget for the general fund for the year ending June 30, 2020 is \$10,426,507.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District's Business Manager at 11733 SW Breyman Avenue, Portland, Oregon 97219.

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RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

THE BASIC FINANCIAL STATEMENTS

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RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

STATEMENT OF NET POSITION
June 30, 2019

| | Governmental Activities |
|---|------------------------------------|
| Assets | |
| Current: | |
| Cash and Cash Equivalents | \$ 2,597,292 |
| Taxes Receivable | 161,592 |
| Accounts Receivable | 174,621 |
| Non-Current: | |
| Capital Assets: | |
| Non-Depreciable | 7,521 |
| Depreciable, Net of Depreciation | 24,788,369 |
| Total Assets | 27,729,395 |
| Deferred Outflows of Resources | |
| Deferred Loss on Bond Refunding | 582,564 |
| Pension Related Deferrals (PERS) | 3,580,111 |
| OPEB Related Deferrals | 20,566 |
| Total Assets and Deferred Outflows | 31,912,636 |
| Liabilities | |
| Current Liabilities: | |
| Accounts Payable | 432,216 |
| Accrued Payroll | 6,401 |
| Accrued Interest | 34,926 |
| Accrued Vacation | 290 |
| Unearned Revenue | 48,595 |
| Current Portion, Long-term Debt: | |
| Bonds Payable | 1,049,407 |
| Total Current Liabilities | 1,571,835 |
| Long-term Debt: | |
| Deferred Interest on Bonds | 6,515,000 |
| Net Pension Liability (PERS) | 7,276,953 |
| Premium on Bonds Payable | 803,932 |
| Bonds Payable | 16,956,034 |
| Total Non-current Long-term Debt | 31,849,235 |
| Total Liabilities | 33,421,070 |
| Deferred Inflows of Resources | |
| Pension Related Deferrals (PERS) | 584,018 |
| OPEB Related Deferrals | 15,844 |
| Total Liabilities and Deferred Inflows of Resources | 34,020,932 |
| Net Position | |
| Net Investment in Capital Assets | 2,783,154 |
| Restricted for: | |
| Student Services | 595,475 |
| Debt Service | 660,975 |
| Capital Projects | 165,410 |
| Unrestricted | (6,313,310) |
| Total Net Position | \$ (2,108,296) |

See accompanying notes to the basic financial statements.

RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Net (Expense)</u> |
|---|----------------------|---|----------------------|-----------------------|
| | | <u>Charges for</u> | <u>Operating</u> | <u>Revenue and</u> |
| | | <u>Services</u> | <u>Grants and</u> | <u>Changes in</u> |
| | | | <u>Contributions</u> | <u>Net Position</u> |
| | | | | <u>Governmental</u> |
| | | | | <u>Activities</u> |
| Instruction | \$ 7,173,433 | \$ 1,247,050 | \$ 1,535,695 | \$ (4,390,688) |
| Support Services | 4,348,968 | 4,308 | 14,947 | (4,329,713) |
| Community Services | 7,785 | 52,482 | 27 | 44,724 |
| Facilities Acquisition and Construction | 2,701 | - | - | (2,701) |
| Interest on long-term debt | 1,448,745 | - | - | (1,448,745) |
| Total Governmental Activities | <u>\$ 12,981,632</u> | <u>\$ 1,303,840</u> | <u>\$ 1,550,669</u> | <u>(10,127,123)</u> |
| General Revenues: | | | | |
| Property Taxes - General | | | | 3,516,342 |
| Property Taxes - Debt Service | | | | 1,701,046 |
| Local Revenue | | | | 548,269 |
| State Sources | | | | 3,525,901 |
| Earnings on Investments | | | | <u>100,690</u> |
| Total General Revenues | | | | <u>9,392,248</u> |
| | | Change in Net Position | | (734,875) |
| | | Net Position - Beginning, restated for GASB75 | | <u>(1,373,421)</u> |
| | | Net Position - Ending | | <u>\$ (2,108,296)</u> |

See accompanying notes to the basic financial statements.

**RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON**

**BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2019**

| | GENERAL | SPECIAL REVENUE | DEBT SERVICE | PENSION OBLIGATION BOND | CAPITAL PROJECTS | CONSTRUCTION EXCISE TAX | TOTALS |
|--|---------------------|--------------------|-------------------|-------------------------------|---------------------|----------------------------|---------------------|
| ASSETS: | | | | | | | |
| Cash and Investments | \$ 1,200,495 | \$ 576,031 | \$ 433,910 | 221,446 | \$ 71,927 | 93,483 | \$ 2,597,292 |
| Receivables: | | | | | | | |
| Taxes | 106,274 | - | 55,318 | - | - | - | 161,592 |
| Accounts | 38,768 | 135,853 | - | - | - | - | 174,621 |
| Total Assets | <u>\$ 1,345,537</u> | <u>\$ 711,884</u> | <u>\$ 489,228</u> | <u>\$ 221,446</u> | <u>\$ 71,927</u> | <u>\$ 93,483</u> | <u>\$ 2,933,505</u> |
| LIABILITIES: | | | | | | | |
| Accounts Payable | \$ 324,807 | \$ 107,409 | \$ - | - | \$ - | - | \$ 432,216 |
| Payroll Liabilities | 6,401 | - | - | - | - | - | 6,401 |
| Unearned Revenue | 39,595 | 9,000 | - | - | - | - | 48,595 |
| Total Liabilities | <u>370,803</u> | <u>116,409</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>487,212</u> |
| DEFERRED INFLOW OF RESOURCES: | | | | | | | |
| Unavailable Property Taxes Revenue | 100,256 | - | 49,699 | - | - | - | 149,955 |
| Total Deferred Inflow of Resources | <u>100,256</u> | <u>-</u> | <u>49,699</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>149,955</u> |
| FUND BALANCE: | | | | | | | |
| Restricted for: | | | | | | | |
| Student Services | - | 595,475 | - | - | - | - | 595,475 |
| Debt Service | - | - | 439,529 | 221,446 | - | - | 660,975 |
| Capital Projects | - | - | - | - | 71,927 | 93,483 | 165,410 |
| Unassigned | 874,478 | - | - | - | - | - | 874,478 |
| Total Fund Balance | <u>874,478</u> | <u>595,475</u> | <u>439,529</u> | <u>221,446</u> | <u>71,927</u> | <u>93,483</u> | <u>2,296,338</u> |
| Total Liabilities, Deferred Inflow of Resources, and Fund Balance | <u>\$ 1,345,537</u> | <u>\$ 711,884</u> | <u>\$ 489,228</u> | <u>\$ 221,446</u> | <u>\$ 71,927</u> | <u>\$ 93,483</u> | <u>\$ 2,933,505</u> |

See accompanying notes to the basic financial statements.

RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

RECONCILIATION TO GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION

June 30, 2019

| | |
|----------------------------|---------------------|
| Total Fund Balances | \$ 2,296,338 |
|----------------------------|---------------------|

Amounts reported for governmental activities in the Statement of Net Position are different because:

| | |
|---|-------------|
| The net pension asset (liability) is the difference between the total pension liability and the assets set aside to pay benefits earned to past and current employees and beneficiaries (PERS). | (7,276,953) |
|---|-------------|

Deferred inflows and outflows of resources related to the pension plan include differences between expected and actual experience, changes of assumptions, differences between projects and actual earning, and contributions subsequent to the measurement date.

| | |
|--|-----------|
| Pension Related Deferred Outflows (PERS) | 3,580,111 |
| Pension Related Deferred Inflows (PERS) | (584,018) |

| | |
|--|-----------|
| The net OPEB asset (liability) is the difference between the total OPEB liability and the assets set aside to pay benefits earned to past and current employees and beneficiaries. | (297,316) |
|--|-----------|

Deferred inflows and outflows of resources related to the OPEB plan include differences between expected and actual experience, changes of assumptions, differences between projects and actual earning, and contributions subsequent to the measurement date.

| | |
|--------------------------------|----------|
| OPEB Related Deferred Outflows | 20,566 |
| OPEB Related Deferred Inflows | (15,844) |

| | |
|--|---------|
| Deferred outflows of resources related to the book loss on refunding of GO Bonds are reflected on the government-wide financial statements and amortized over the life of the new bonds. | 582,564 |
|--|---------|

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

| | | |
|--------------------------------|--------------------|------------|
| Non-Depreciable Capital Assets | \$ 7,521 | |
| Depreciable Capital Assets | 33,420,712 | |
| Accumulated Depreciation | <u>(8,632,343)</u> | 24,795,890 |

| | |
|--|---------|
| Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. | 149,955 |
|--|---------|

| | |
|---|----------|
| Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. | (34,926) |
|---|----------|

Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest in long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.

These liabilities consist of:

| | | |
|------------------------------------|--------------------|---------------------|
| Accrued Compensated Absences | \$ (290) | |
| Bonds Payable | (18,005,441) | |
| Premium on Bonds Payable | (803,932) | |
| Deferred Interest on Bonds Payable | <u>(6,515,000)</u> | <u>(25,324,663)</u> |

| | |
|---------------------------|------------------------------|
| Total Net Position | \$ <u>(2,108,296)</u> |
|---------------------------|------------------------------|

See accompanying notes to the basic financial statements.

RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2019

| | GENERAL | SPECIAL REVENUE | DEBT SERVICE | PENSION OBLIGATION BOND | CAPITAL PROJECTS | CONSTRUCTION EXCISE TAX | TOTAL |
|-----------------------------------|--------------|--------------------|-----------------|-------------------------------|---------------------|----------------------------|--------------|
| REVENUES: | | | | | | | |
| From Local Sources | \$ 5,822,961 | \$ 712,145 | \$ 1,714,117 | 421,125 | \$ 2,452 | 17,352 | \$ 8,690,152 |
| From State Sources | 3,431,899 | 108,140 | - | - | - | - | 3,540,039 |
| From Federal Sources | 13,864 | 11,703 | - | - | - | - | 25,567 |
| Total Revenues | 9,268,724 | 831,988 | 1,714,117 | 421,125 | 2,452 | 17,352 | 12,255,758 |
| EXPENDITURES: | | | | | | | |
| Current: | | | | | | | |
| Instruction | 5,423,448 | 684,708 | - | - | - | - | 6,108,156 |
| Support Services | 3,569,257 | 94,242 | - | - | - | 39,634 | 3,703,133 |
| Enterprise and Community Services | - | 6,630 | - | - | - | - | 6,630 |
| Capital Outlay | - | - | - | - | - | 2,701 | 2,701 |
| Debt Service | - | - | 1,715,800 | 436,052 | - | - | 2,151,852 |
| Total Expenditures | 8,992,705 | 785,580 | 1,715,800 | 436,052 | - | 42,335 | 11,972,472 |
| Net Change in Fund Balance | 276,019 | 46,408 | (1,683) | (14,927) | 2,452 | (24,983) | 283,286 |
| Beginning Fund Balance | 598,459 | 549,067 | 441,212 | 236,373 | 69,475 | 118,466 | 2,013,052 |
| Ending Fund Balance | \$ 874,478 | \$ 595,475 | \$ 439,529 | 221,446 | \$ 71,927 | 93,483 | \$ 2,296,338 |

See accompanying notes to the basic financial statements.

RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION**

For the Year Ended June 30, 2019

| | | |
|-----------------------------------|-----------|----------------|
| Net Change in Fund Balance | \$ | 283,286 |
|-----------------------------------|-----------|----------------|

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

| | | | |
|--------------------------|------------------|--|-----------|
| Capitalized expenditures | \$ 80,627 | | |
| Depreciation expense | <u>(682,488)</u> | | (601,861) |

The pension expense represents the changes in net pension liability from year to year due to changes in total pension liability and the fair value of pension plan net position available to pay pension benefits. (PERS) (1,105,792)

The OPEB expense represents the changes in net OPEB liability from year to year due to changes in total OPEB liability and the fair value of OPEB plan net position available to pay OPEB benefits. (18,503)

Long-term debt proceeds are reported as other financing sources in governmental funds. In the Statement of Net Position, however, issuing long-term debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Position. This is the amount by which proceeds exceeded repayments:

| | | | |
|------------------------|--|--|-----------|
| Principal repaid (net) | | | 1,511,523 |
|------------------------|--|--|-----------|

Governmental funds report the effect of, premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

| | | | |
|------------------------------------|--|--|-----------|
| Amortization of Premiums, GO Bonds | | | 128,503 |
| Defeasance of Debt, GO Bonds | | | (116,513) |

In the Statement of Activities, interest is accrued on long term debt, whereas in governmental funds it is recorded as interest expense when due.

| | | | |
|---|--|--|-----------|
| Accretion of Deferred Interest on Bonds Payable | | | (786,879) |
| Other Accrued Interest on Long-Term Debt | | | (21,537) |

Accrued Vacation, OPEB Obligation & Pension Obligation are recognized as expenditures in the governmental funds when they are paid. In the Statement of Activities these liabilities are recognized as expenditures when earned. In the current year, changes in these liabilities are as follows:

| | | | |
|------------------|--|--|-------|
| Accrued Vacation | | | 1,899 |
|------------------|--|--|-------|

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds, and are instead recorded as deferred inflows of resources. They are, however, recorded as revenues in the Statement of Activities.

| | | | |
|--|--|--|----------------|
| | | | <u>(9,001)</u> |
|--|--|--|----------------|

| | | |
|-------------------------------|-----------|-------------------------|
| Change in Net Position | \$ | <u>(734,875)</u> |
|-------------------------------|-----------|-------------------------|

See accompanying notes to the basic financial statements.

RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

NOTES TO THE BASIC FINANCIAL STATEMENTS

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RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Basic Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies are described below.

A. THE FINANCIAL REPORTING ENTITY

The Riverdale School District 51J (the District) was established in 1888 with the Riverdale Grade School in the Dunthorpe neighborhood. Riverdale High School was added to the District starting with the 1996-1997 school year and its location is just two miles from the Grade School. The Riverdale Grade School building was replaced in 2009. The District Offices are located at the Grade School. The board is composed of five elected members who serve four-year terms. The Board supervises a Superintendent who is the chief administrative officer and executes the Board's policies and programs.

The District is independent and is not included as a part of any other financial reporting entity. Accounting principles generally accepted in the United States of America require that these basic financial statements present the District and all component units, if any. Component units, as established by the Governmental Accounting Standards Board (GASB) Statement 61, are separate organizations that are included in the District's reporting because of the significance of their operational or financial relationships with the District. There are various governmental agencies that provide service within the District's boundaries, however the District is not financially accountable for any of these entities, and therefore, none of them are considered component units or included in these basic financial statements.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

Government Wide Financial Statements (GWFS)

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) display information about the District as a whole.

The government-wide basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with GASB Statement No. 33 "Accounting and Financial Reporting for Non-exchange Transactions." Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

All direct expenses are reported by function in the Statement of Activities. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Program revenues derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole. Program revenues reduce the cost of the function to be financed from the general revenues and include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION (CONTINUED)

Government Wide Financial Statements (GWFS) - continued

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities.

Fund Financial Statements

The accounts are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Governmental Fund Types

Governmental funds are used to account for general governmental activities. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, interfund transactions, and certain compensated absences which are recognized as expenditures because they will be liquidated with expendable financial resources.

Revenues susceptible to accrual are interest, state, county and local shared revenue and federal and state grants. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The following major governmental funds are reported:

General Fund

This is the primary operating fund and accounts for all revenues and expenditures except those required to be accounted for in another fund. The principal revenue sources are property taxes, state school fund grant, tuition, and the Riverdale School District Foundation Contribution.

Special Revenue Funds

These funds account for revenue sources that are legally restricted to expenditures for specific purposes such as classroom supplies and equipment, capital improvements and to supplement existing resources. The student body funds for the high school and grade school, for the purpose of supporting school activities, are a part of the special revenue funds.

Debt Service Fund

This fund provides for the payment of principal and interest on general obligation bonded debt. The principal revenue source is property taxes. This fund also provides for the principal and interest payments of the debt associated with paying down the PERS unfunded actuarial liability and the principal sources of revenue come from the state apportionment.

RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION (CONTINUED)

Governmental Fund Types - continued

Capital Projects Fund

This fund accounts for activities related to the acquisition, construction, equipping, and furnishing of facilities. Principal revenue sources are proceeds from the sale of bonds received in prior years and interest earnings.

Pension Obligation Bond Fund

This fund accounts for the payment of principal and interest of the PERS pension obligation bonds. The principal source of revenue is property taxes.

Construction Excise Tax Fund

This fund accounts for revenues and expenditures related to the construction excise tax (CET) imposed on improvements to real property that result in a new structure or additional square footage in an existing structure.

Use of Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Fair Value Inputs and Methodologies and Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based upon the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

Level 1 – unadjusted price quotations in active markets/exchanges for identical assets or liabilities that each Fund has the ability to access

Level 2 – other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market-corroborated inputs)

Level 3 – unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including each Fund's own assumptions used in determining the fair value of investments)

RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION (CONTINUED)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Property Taxes

Ad valorem property taxes are levied and become a lien on all taxable property as of July 1. Property taxes are payable on November 15. Collection dates are November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

Uncollected property taxes are shown in the balance sheet. Uncollected taxes are deemed by management to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established.

Grants

Unreimbursed grant expenditures due from grantor agencies are recorded as receivables and revenues. Cash received from grantor agencies in excess of related grant expenditures that is to be carried over to the next fiscal year is recorded as a liability, unearned revenue.

Supply Inventories

All supply inventories are valued at cost (first-in, first-out method). Inventories of governmental funds are recorded as expenditures when purchased. A portion of the inventory consists of donated United States Department of Agriculture (USDA) commodities. Commodities are recorded as expenditures when consumed and are stated at their fair market value based on guidelines provided by the USDA. Management believes there were no material inventories on hand at year end.

Capital Assets

Capital assets, which include land, buildings and improvements, and equipment, are reported in the government wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Interest incurred during construction is not capitalized. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value on the date donated. The cost of routine maintenance and repairs that do not add to the value of the assets or materially extend asset lives are charged to expenditures as incurred and not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

| | |
|----------------------------|----------------|
| Buildings and Improvements | 10 to 50 years |
| Vehicles and Equipment | 5 to 30 years |

RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION (CONTINUED)

Long Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the bonds outstanding method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Retirement Plans

Substantially all of the District's employees are participants in the State of Oregon Public Employees Retirement System (PERS). For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of PERS and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post Employment Benefits (Health Insurance and Stipends)

The District pays a monthly stipend and the group medical, dental and vision insurance premiums for retirees who qualified for the previous post retirement plan, plus one of their dependents, if applicable. The last eligible retiree under the old plan enrolled on June 30, 2014, and only one participant remains in the OPEB Stipend plan as of June 30, 2019. The remaining liability for the OPEB Stipend is not considered to be material to the basic financial statements as of June 30, 2019. The District does not pay for any explicit retiree OPEB under GASB 75. However, an OPEB liability and deferrals for the implicit employer subsidy for Health Insurance is reported on the government wide statements. See Note 10 for more information.

Vested Compensated Absences

Policy is to permit employees to accumulate up to 40 hours of earned but unused vacation pay benefits. There is no liability for unpaid accumulated sick leave since there is no policy to pay any amounts when employees separate from service. All vacation pay is accrued in the government wide statements.

Net Position

Net position is comprised of the various net earnings from operations, non-operating revenues, expenses and contributions of capital. Net position is classified in the following three categories:

Net Investment in Capital Assets – consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – consists of external constraints placed on assets use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. There are assets restricted for debt service, student services and capital projects.

RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION (CONTINUED)

Net Position - continued

Unrestricted – consists of all other assets that are not included in the other categories previously mentioned.

Deferred Outflow/Inflow of Resources

In addition to assets, the basic financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. The Statement of Net Position reports deferred outflows representing deferred book loss on the issue of refunding bonds in the amount of \$582,564, PERS pension related deferred outflows of \$3,580,111, and OPEB related deferred outflows of \$20,566.

In addition to liabilities, the basic financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items which qualify for reporting in this category. The first item, unavailable revenue of \$149,955 for property taxes, is reported only in the governmental funds balance sheet. At June 30, 2019 there were also deferred inflows of \$584,018 representing PERS pension related deferrals and \$15,844 representing OPEB related deferrals.

Fund Balance

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions* is followed. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the five fund balance classifications are nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. The authority to classify portions of ending fund balance according to the categories above is delegated to the Superintendent.
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION (CONTINUED)

Fund Balance - continued

There are no nonspendable, committed, or assigned fund balances at June 30, 2019.

The governing body has approved the following order of spending regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and unassigned.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

A budget is prepared and legally adopted for each governmental fund type on the modified accrual basis of accounting in the main program categories required by Oregon Local Budget Law. The budgets for all budgeted funds are adopted on a basis consistent with generally accepted accounting principles except the property taxes received after year-end are not considered budgetary resources in the funds, inventory is expensed when purchased, capital outlay is reported as an expenditure rather than capitalized, depreciation and amortization are not recorded, and debt including OPEB, vacation, and pension obligations are recorded as an expenditure when paid instead of when incurred.

The budgeting process begins by appointing Budget Committee members in early fall. Budget recommendations are developed by management through spring, with the Budget Committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June, and the hearing is held in June. The budget is adopted, appropriations are made and the tax levy is declared no later than June 30. Expenditure budgets are appropriated at the major function level (instruction, support services, community services, debt service, contingency, and transfers) for each fund. Expenditure appropriations may not legally be over expended, except in the case of grant receipts which could not be reasonably estimated at the time the budget was adopted.

Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Supplemental budgets less than 10% of the fund's original budget may be adopted by the Board of Directors at a regular meeting. A supplemental budget greater than 10% of the fund's original budget requires hearings before the public, publication in newspapers and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control (major function levels). Such transfers require approval by the Board.

Budget amounts shown in the basic financial statements include the original budget amounts and appropriation adjustments approved by the Board. Appropriations lapse at the end of each fiscal year.

Expenditures of the various funds were within authorized appropriations except for the General Fund, in which Support Services was over expended by \$211,929.

RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

3. CASH AND INVESTMENTS

Cash and investments at June 30, 2019 consisted of:

| | |
|--------------------------|---------------------|
| Cash | \$ (429,129) |
| Investments | 3,026,421 |
| Total Cash & Investments | <u>\$ 2,597,292</u> |

Deposits

Deposits with financial institutions include bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury. The total bank balance per the bank statements as of June 30, 2019 was \$280,244, of which \$250,000 was covered by federal depository insurance and the remainder was collateralized by the Oregon Public Funds Collateralization Program.

Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the deposits may not be returned. There is no deposit policy for custodial credit risk. As of June 30, 2019, none of the bank balances were exposed to custodial credit risk.

Investments

State statutes governing cash management are followed. Statutes authorize investing in banker's acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund's compliance with all portfolio guidelines can be found in their annual report when issued. The LGIP seeks to exchange shares at \$1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool. We intend to measure these investments at book value since it approximates fair value. The pool is comprised of a variety of investments. These investments are characterized as a level 2 fair value measurement in the Oregon Short Term Fund's audited financial report. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. The audited financial reports of the Oregon Short Term Fund can be found here:

[http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-\(OSTF\).aspx](http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-(OSTF).aspx)

If the link has expired please contact the Oregon Short Term Fund directly.

RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

3. CASH AND INVESTMENTS (CONTINUED)

There were the following investments and maturities:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Investment Maturities (in months)</u> | | |
|----------------------------------|---------------------|--|-------------|--------------|
| | | <u>Less than 3</u> | <u>3-17</u> | <u>18-59</u> |
| State Treasurers Investment Pool | \$ 3,026,421 | \$ 3,026,421 | \$ - | \$ - |
| Total | <u>\$ 3,026,421</u> | <u>\$ 3,026,421</u> | <u>\$ -</u> | <u>\$ -</u> |

Interest Rate Risk - Investments

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. There are no investments that have a maturity date beyond three months.

Credit Risk – Investments

Oregon Revised Statutes do not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE. The State Investment Pool is not rated.

Concentration of Credit Risk

At June 30, 2019, 100% of total investments were in the State Treasurer's Investment Pool. State statutes do not limit the percentage of investments in this instrument.

4. RECEIVABLES

Receivables at June 30, 2019 consist of amounts due from individuals and from other governments.

All receivables are current. Management believes they are fully collectible so no provision for doubtful accounts has been made.

RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. CAPITAL ASSETS

The changes in capital assets for the fiscal year ended June 30, 2019, are as follows:

| | Governmental Capital Assets 7/1/2018 | Additions | Deletions | Governmental Capital Assets 6/30/2019 |
|---------------------------------------|--|-----------|-----------|---|
| Capital assets not being depreciated: | | | | |
| Land & Land Improvements | \$ 7,521 | \$ - | \$ - | \$ 7,521 |
| Capital assets being depreciated: | | | | |
| Buildings & Improvements | 33,069,916 | - | - | 33,069,916 |
| Vehicles and Equipment | 270,169 | 80,627 | | 350,796 |
| Total | 33,347,606 | 80,627 | - | 33,428,233 |
| Accumulated Depreciation: | | | | |
| Buildings and Improvements | 7,775,858 | 659,296 | | 8,435,154 |
| Vehicles and Equipments | 173,997 | 23,192 | | 197,189 |
| Total | 7,949,855 | 682,488 | - | 8,632,343 |
| Capital Assets, Net | <u>\$ 25,397,751</u> | | | <u>\$ 24,795,890</u> |

Depreciation was allocated to the functions as follows:

| | |
|----------------------------|-------------------|
| Instruction | \$ 424,606 |
| Support | 257,422 |
| Community Services | <u>461</u> |
| Total Depreciation Expense | <u>\$ 682,488</u> |

RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. OPERATING LEASE

In July 2014 the District entered into a lease agreement for the use of copying machines with monthly payments of \$1,257. The terms are 60 months beginning July 2014 through June 2019. On June 17, 2019, a new copier lease agreement was entered into effective from July 2019 through June 2024 with monthly payments of \$1,310. The expenses for this lease during the fiscal year ending June 30, 2019 were \$15,629. Future lease payments are as follows:

| <u>Year Ended</u> <u>June 30,</u> | <u>Amount</u> |
|--------------------------------------|------------------|
| 2020 | 15,720 |
| 2021 | 15,720 |
| 2022 | 15,720 |
| 2023 | 15,720 |
| 2024 | <u>15,720</u> |
| Total | <u>\$ 78,600</u> |

7. GROUND LEASE

A Ground Lease with Portland School District 1J (Portland) was entered into on February 9, 2001, and was amended on June 29, 2001, for the Collins View School Site, at a cost of \$10,000 per month. The Ground Lease provides for an initial lease term of twenty years, commencing July 1, 2001 and going through June 30, 2021, with three options to extend for ten years each. Each option to extend may only be exercised within the last two years of an extension period. Should the Ground Lease remain in effect for the initial term as well as all three term extensions, the District has an option to acquire the Collins View Site at its current fair market value.

In addition to the terms mentioned in the preceding paragraph the Ground Lease will increase by 2 percent each year. Every five years the minimum rent shall be adjusted to reflect any change in the fair market rental value of the premises. Although the Ground Lease is located outside the District's boundaries, the 1996 bond measure gave the District legal authority to locate a high school outside the Districts' boundaries. The Ground Lease was within the Riverdale Board's reasonable discretion, and the May 2001 Voter Approval was in all respects regular, effective and valid. If the district terminates the lease, all improvements shall become the sole property of Portland, and Portland shall pay the District an amount equal to 75% of the fair market value of the improvements as of the date the lease terminates. The lease costs for the year were \$168,031 or \$14,003 per month.

Future lease payments are as follows:

| <u>Year Ended</u> <u>June 30,</u> | <u>Amount</u> |
|--------------------------------------|-------------------|
| 2020 | 171,391 |
| 2021 | <u>174,819</u> |
| Total | <u>\$ 346,210</u> |

RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. DEFINED BENEFIT PENSION PLAN

Plan Description – The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer defined benefit plan. All benefits of the system are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Oregon PERS produces an independently audited Comprehensive Annual Financial Report which can be found at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2018-CAFR.pdf>

If the link is expired please contact Oregon PERS for this information.

- a. **PERS Pension (Chapter 238).** The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.
- i. **Pension Benefits.** The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, and 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefits results.
- A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier 1 general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier 2 members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.
- ii. **Death Benefits.** Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided on or more of the following contributions are met:
- member was employed by PERS employer at the time of death,
 - member died within 120 days after termination of PERS covered employment,
 - member died as a result of injury sustained while employed in a PERS-covered job, or
 - member was on an official leave of absence from a PERS-covered job at the time of death
- iii. **Disability Benefits.** A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.
- iv. **Benefit Changes After Retirement.** Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

- b. **OPSRP Pension Program (OPSRP DB).** The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.
- i. **Pension Benefits.** This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:
Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.
General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.
A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.
- ii. **Death Benefits.** Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.
- iii. **Disability Benefits.** A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.
- iv. **Benefit Changes After Retirement.** Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

Contributions – PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation, which became effective July 1, 2017. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2019 were \$999,043, excluding amounts to fund employer specific liabilities. In addition approximately \$225,544 in employee contributions were paid or picked up by the District in 2018-2019.

Pension Asset or Liability

At June 30, 2019, the District reported a net pension liability of \$7,276,953 for its proportionate share of the net pension liability. The pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. As of the measurement dates of June 30, 2018 and 2017, the District's proportion was .048 and .046 percent, respectively. Pension expense for the year ended June 30, 2019 was \$1,105,792.

RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

The rates in effect for the year ended June 30, 2019 were:

- (1) Tier 1/Tier 2 – 16.05%
- (2) OPSRP general services – 10.72%

| | Deferred Outflow of Resources | Deferred Inflow of Resources |
|---|----------------------------------|---------------------------------|
| Difference between expected and actual experience | \$ 247,540 | \$ - |
| Changes in assumptions | 1,691,878 | - |
| Net difference between projected and actual earnings on pension plan investments | - | (323,138) |
| Net changes in proportionate share | 632,218 | - |
| Differences between District contributions and proportionate share of contributions | 9,432 | (260,880) |
| Subtotal - Amortized Deferrals (below) | 2,581,068 | (584,018) |
| District contributions subsequent to measuring date | 999,043 | N/A |
| Deferred outflow (inflow) of resources | <u>\$ 3,580,111</u> | <u>\$ (584,018)</u> |

The amount of contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2020.

Subtotal amounts related to pension as deferred outflows of resources, \$2,581,068, and deferred inflows of resources, (\$584,018), net to \$1,987,050 and will be recognized in pension expense as follows:

| Year ending June 30, | Amount |
|----------------------|---------------------|
| 2020 | \$ 1,045,874 |
| 2021 | 767,054 |
| 2022 | 11,321 |
| 2023 | 125,590 |
| 2024 | 47,211 |
| Thereafter | - |
| Total | <u>\$ 1,997,050</u> |

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated March 4, 2019. Oregon PERS produces an independently audited CAFR which can be found at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2018-CAFR.pdf>

Actuarial Valuations – The employer contribution rates effective July 1, 2017 through June 30, 2019, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (estimated amount necessary to finance benefits earned by employees during the current service year), (2) an amount for the amortization unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial liabilities being amortized over 20 years.

RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an actuarially determined amount for funding a disability benefit component, and (c) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

Actuarial Methods and Assumptions:

| | |
|---------------------------|--|
| Valuation Date | December 31, 2016 rolled forward to June 30, 2018 |
| Experience Study Report | 2016, Published July 26, 2017 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years |
| Asset valuation method | Market value of assets |
| Inflation rate | 2.50 percent |
| Investment rate of return | 7.20 percent (changed from 7.50 percent) |
| Projected salary increase | 3.50 percent overall payroll growth |
| Cost of Living Adjustment | Blend of 2% COLA and graded COLA (1.25%/.15%) in accordance with Moro decision, blend based on service |
| Mortality | Healthy retirees and beneficiaries: RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. Active members: RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. Disabled retirees: RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale. |

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The method and assumptions shown are based on the 2016 Experience Study which is reviewed for the four-year period ending December 31, 2016.

RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Assumed Asset Allocation:

| Asset Class/Strategy | Low Range | High Range | OIC Target |
|-----------------------------|------------------|-------------------|-------------------|
| Cash | 0.0% | 3.0% | 0.0% |
| Debt Securities | 15.0% | 25.0% | 20.0% |
| Public Equity | 32.5% | 42.5% | 37.5% |
| Real Estate | 9.5% | 15.5% | 12.5% |
| Private Equity | 13.5% | 21.5% | 17.5% |
| Alternative Equity | 0.0% | 12.5% | 12.5% |
| Opportunity Portfolio | 0.0% | 3.0% | 0.0% |
| Total | | | 100.0% |

Source: June 30, 2018 PERS CAFR; p. 98

Long-Term Expected Rate of Return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015, revised as of June 7, 2017, the PERS Board reviewed its long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

| Asset Class | Target | Annual Return (Geometric) |
|-----------------------------------|---------------|--------------------------------------|
| Core Fixed Income | 8.00% | 3.49% |
| Short-Term Bonds | 8.00% | 3.38% |
| Bank/Leveraged Loans | 3.00% | 5.09% |
| High Yield Bonds | 1.00% | 6.45% |
| Large/Mid Cap US Equities | 15.75% | 6.30% |
| Small Cap US Equities | 1.31% | 6.69% |
| Micro Cap US Equities | 1.31% | 6.80% |
| Developed Foreign Equities | 13.13% | 6.71% |
| Emerging Market Equities | 4.13% | 7.45% |
| Non-US Small Cap Equities | 1.88% | 7.01% |
| Private Equity | 17.50% | 7.82% |
| Real Estate (Property) | 10.00% | 5.51% |
| Real Estate (REITS) | 2.50% | 6.37% |
| Hedge Fund of Funds - Diversified | 2.50% | 4.09% |
| Hedge Fund - Event-driven | 0.63% | 5.86% |
| Timber | 1.88% | 5.62% |
| Farmland | 1.88% | 6.15% |
| Infrastructure | 3.75% | 6.60% |
| Commodities | 1.88% | 3.84% |
| Assumed Inflation - Mean | | 2.50% |

Source: June 30, 2018 PERS CAFR; p. 72

RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount Rate – The discount rate used to measure the total pension liability, as of the measurement dates June 30, 2018 and 2017 was 7.20 and 7.50, respectively, for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate.

| | <u>1% Decrease</u> <u>(6.20%)</u> | <u>Discount Rate</u> <u>(7.20%)</u> | <u>1% Increase</u> <u>(8.20%)</u> |
|--|--------------------------------------|--|--------------------------------------|
| District's proportionate share of the net pension liability | \$ 12,161,163 | \$ 7,276,953 | \$ 3,245,437 |

Changes Subsequent to the Measurement Date

As described above, GASB 67 and GASB 68 require the Total Pension Liability to be determined based on the benefit terms in effect at the Measurement Date. Any changes to benefit terms that occurs after that date are reflected in amounts reported for the subsequent Measurement Date. However, Paragraph 80f of GASB 68 requires employers to briefly describe any changes between the Measurement Date and the employer's reporting date that are expected to have a significant effect on the employer's share of the collective Net Pension Liability, along with an estimate of the resulting change, if available.

There are no changes subsequent to the June 30, 2019 Measurement Date that meet this requirement and would require a brief description under the GASB standard.

OPSRP Individual Account Program (OPSRP IAP)

Plan Description:

Employees of the District are provided with pensions through OPERS. All the benefits of OPERS are established by the Oregon legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003. Chapter 238A created the Oregon Public Service Retirement Plan (OPSRP), which consists of the Defined Benefit Pension Program and the Individual Account Program (IAP). Membership includes public employees hired on or after August 29, 2003. PERS members retain their existing defined benefit plan accounts, but member contributions are deposited into the member's IAP account. OPSRP is part of OPERS, and is administered by the OPERS Board.

RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Benefits:

Participants in OPERS defined benefit pension plans also participate in their defined contribution plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies. Upon retirement, a member of the OPSRP IAP may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits:

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Contributions:

Employees of the District pay six (6) percent of their covered payroll. The District did not make any optional contributions to member IAP accounts for the year ended June 30, 2019.

Additional disclosures related to Oregon PERS not applicable to specific employers are available online, or by contacting PERS at the following address: PO BOX 23700 Tigard, OR 97281-3700.

<https://www.oregon.gov/pers/emp/pages/GASB.aspx>

9. OTHER POST-EMPLOYMENT BENEFIT PLAN – (RHIA)

Plan Description:

As a member of Oregon Public Employees Retirement System (OPERS) the District contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700.

RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

9. OTHER POST-EMPLOYMENT BENEFIT PLAN – (RHIA) (CONTINUED)

Funding Policy:

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 dollars or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 dollars shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in OPERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in OPERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in an OPERS-sponsored health plan. A surviving spouse or dependent of a deceased OPERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from OPERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating employers are contractually required to contribute to RHIA at a rate assessed each year by OPERS, and the District currently contributes 0.53% of annual covered OPERF payroll and 0.45% of OPSRP payroll under a contractual requirement in effect until June 30, 2019. The OPERS Board of Trustees sets the employer contribution rates based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The District's contributions to RHIA for the year ended June 30, 2019 were considered by management to be immaterial to the basic financial statements.

At June 30, 2019, the District's net OPEB liability/(asset) and deferred inflows and outflows were not considered to be material to the basic financial statements by management and were not accrued in the government wide statements.

10. OTHER POST EMPLOYMENT BENEFITS – HEALTH INSURANCE

Post-Employment Health Care Benefits

Plan Description:

The District maintains a single employer retiree benefit plan that provides post-employment health, dental, vision and life insurance benefits to eligible employees and their spouses. There are active and retired members in the plan. Benefits and eligibility for members are established through the collective bargaining agreements. The plan does not issue separate basic financial statements.

The District's post-retirement healthcare plan was established in accordance with Oregon Revised Statutes (ORS) 243.303. ORS stipulated that for the purpose of establishing healthcare premiums, the rate must be based on all plan members, including both active employees and retirees. The difference between retiree claims cost, which because of the effect of age is generally higher in comparison to all plan members, and the amount of retiree healthcare premiums represents the District's implicit employer contribution.

The District reports Other Postemployment Benefits under GASB Statement No. 75. This allows the District to report its liability for other post-employment benefits consistent with newly established generally accepted accounting principles and to reflect an actuarially determined liability for the present value of projected future benefits for retired and active employees on the financial statements.

RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

10. OTHER POST EMPLOYMENT BENEFITS – HEALTH INSURANCE (CONTINUED)

Annual OPEB Cost and Total OPEB Liability – The annual other postemployment benefit (OPEB) cost is calculated based on the Total OPEB Liability, an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. For detailed information and a table showing the components of the District's annual OPEB costs and liabilities, see page 32.

Total Other Post Employment Benefit Liability

The District's total pension liability and total other post-employment benefits were measured as of June 30, 2018 and determined by an actuarial valuation as of July 1, 2017.

Actuarial Methods and Assumptions - The total other post-employment benefit liability in the July 1, 2017 actuarial valuation was calculated based on the discount rate and actuarial assumptions below, and was then projected forward/backward to the measurement date. Discount Rate 3.87%, Inflation 2.50%, Salary Increases 3.5%, and Actuarial Cost Method is Entry Age Normal Level Percent of Pay. The annual premium increase was assumed to fluctuate between 5% to 6.6% until 2038 in accordance with the Society of Actuaries – Getzen Long Term Healthcare Trends Resource Model, updated 2017. Mortality rates are based on RP 2014, Employee/Healthy Annuitant, sex distinct, generational. Turnover, Disability and Retirement rate assumptions are based off the valuation of benefits under Oregon PERS.

Changes in the Net Other Post-Employment Benefit Liability

| | |
|--|-------------------|
| Total OPEB Liability at June 30, 2018 | \$ 274,090 |
| Changes for the year: | |
| Service Cost | 34,979 |
| Interest | 10,771 |
| Changes of assumptions or other input | (5,978) |
| Differences between expected and actual experience | - |
| Benefit Payments | (16,546) |
| Total OPEB Liability at June 30, 2019 | <u>\$ 297,316</u> |

Sensitivity of the Total Post-Employment Benefit Liability to changes in the discount and trend rates

The following presents the Total OPEB Liability of the plan, calculated using the discount rate as of the measurement date, as well as what the Plan's Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate. A similar sensitivity analysis is then presented for changes in the healthcare cost trend assumption:

| | | | |
|----------------------|-----------------------------------|--|----------------------------------|
| | <u>1% Decrease 2.87 %</u> | <u>Current Discount Rate 3.87%</u> | <u>1% Increase 4.87%</u> |
| Total OPEB Liability | \$ 318,450 | \$ 297,316 | \$ 277,557 |
| | <u>1% Decrease</u> | <u>Current Trend Rate</u> | <u>1% Increase</u> |
| Total OPEB Liability | \$ 267,745 | \$ 297,316 | \$ 331,812 |

RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

10. OTHER POST EMPLOYMENT BENEFITS – HEALTH INSURANCE (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Benefits:

| | <u>Deferred Outflow of Resources</u> | <u>Deferred Inflow of Resources</u> |
|---|--|---|
| Difference between expected and actual experience | \$ - | \$ - |
| Changes in assumptions | <u>(15,844)</u> | <u>-</u> |
| Subtotal - Amortized Deferrals (below) | (15,844) | - |
| Benefit Payments | <u>-</u> | <u>20,566</u> |
| Deferred outflow (inflow) of resources | <u>(15,844)</u> | <u>20,566</u> |

The amount of contributions subsequent to the measurement date will be included as a reduction of the net OPEB liability in the fiscal year ended June 30, 2020.

Subtotal amounts related to OPEB as deferred outflows of resources, \$0, and deferred inflows of resources (\$15,844), will be recognized in pension expense as follows:

| <u>Year ending June 30,</u> | <u>Amount</u> |
|-----------------------------|--------------------|
| 2020 | (2,476) |
| 2021 | (2,476) |
| 2022 | (2,476) |
| 2023 | (2,476) |
| 2024 | (2,476) |
| Thereafter | <u>(3,464)</u> |
| Total | <u>\$ (15,844)</u> |

As of the July 1, 2017 valuation date, the following employees were covered by the benefit terms:

| Number of Members | |
|--------------------------|----------|
| Active | 75 |
| Retired Members | <u>2</u> |
| Total | 77 |

11. LONG-TERM OBLIGATIONS

General Obligation Bonds

General Obligation bonds were issued to provide funds for the acquisition and construction of major capital facilities. On February 26, 2009, the District issued \$21,496,278 of Series 2009 General Obligation bonds to finance facility acquisition and construction. A portion of the funds received from the issuance were used to extinguish the \$1,500,000 of outstanding Series 2002 Full Faith & Credit bonds. Payment of principal and interest on the general obligation bonds are payable from the General Obligation Bonds Fund.

RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

11. LONG-TERM OBLIGATIONS (CONTINUED)

Pension Obligation Bonds

On April 21, 2003, the District issued \$4,387,738 of limited tax pension obligation bonds to finance its unfunded actuarially accrued liability (UAL) with the State of Oregon Public Employees Retirement System (PERS). The issuance of the bonds was considered an advance refunding of the UAL. The actual savings realized over the life of the bonds is uncertain because of the various legislative changes and legal issues pending with the PERS system which could impact future required contribution rate. The debt service payments were charged to debt service in the Pension Obligation Bonds Fund.

Advance Refunding Bonds

On April 28, 2015, \$6,910,000 in Series 2015 General Obligation Refunding Bonds were issued to provide resources for future debt service payments of \$6,910,000 for the Series 2009 A General Obligation Bonds. As a result, the refunded bonds were redeemed and the liability has been removed from the statement of net position. This advance refunding was undertaken to result in an economic gain of \$313,833. There are no significant default or termination clauses on any of the district's bonds.

Deferred Interest

As some bonds outstanding will not mature until 2020 and later, deferred interest accrues each year and is recorded as a liability in the Statement of Net Position. The balance of deferred interest is \$6,515,000 as of June 30, 2019. All bonds currently outstanding will mature by 2034.

Changes in long-term obligations outstanding are as follows:

| | Interest Rates | Outstanding 7/1/2018 | Debt Issued | Matured and Redeemed | Outstanding 6/30/2019 | Due in One Year |
|--------------------------|-------------------|-------------------------|-------------------|-------------------------|--------------------------|--------------------|
| Pension Bond 2003 | 1.15-6.3% | \$ 2,615,686 | \$ - | \$ 121,523 | \$ 2,494,163 | \$ 120,010 |
| GO Bonds 2009 A&B | 2.5-5.77% | 9,991,278 | - | 1,390,000 | 8,601,278 | 929,397 |
| GO Bonds 2015 Refunding | 4% | 6,910,000 | - | - | 6,910,000 | - |
| Total | | 19,516,964 | - | 1,511,523 | 18,005,441 | 1,049,407 |
| Premium on Bonds Payable | | 932,435 | | 128,503 | 803,932 | |
| Deferred Interest | | 5,728,121 | 786,879 | - | 6,515,000 | |
| Total | | <u>\$26,177,520</u> | <u>\$ 786,879</u> | <u>\$ 1,640,026</u> | <u>\$25,324,373</u> | |

RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

11. LONG-TERM OBLIGATIONS (CONTINUED)

Future maturities of long-term obligations are payable as follows:

| Year Ended 30-Jun | PENSION BOND | | GO BONDS 2009 A&B | |
|----------------------|---------------------|---------------------|---------------------|----------------------|
| | Principal | Interest | Principal | Interest |
| 2019 | | | | |
| 2020 | \$ 120,010 | \$ 334,443 | \$ 929,397 | \$ 565,603 |
| 2021 | 119,775 | 359,678 | - | - |
| 2022 | 117,949 | 381,504 | - | - |
| 2023 | 116,429 | 403,023 | - | - |
| 2024 | 405,000 | 114,452 | - | - |
| 2025-29 | 1,615,000 | 214,704 | 4,201,531 | 6,908,469 |
| 2030-34 | - | - | 3,470,350 | 9,409,650 |
| TOTALS | <u>\$ 2,494,163</u> | <u>\$ 1,807,804</u> | <u>\$ 8,601,278</u> | <u>\$ 16,883,722</u> |

| Year | GO REFUNDING BOND 2015 | | TOTAL | |
|---------|------------------------|-------------------|----------------------|----------------------|
| | Principal | Interest | Principal | Interest |
| 2020 | \$ - | \$ 276,400 | \$ 1,049,407 | \$ 1,176,446 |
| 2021 | 1,545,000 | 276,400 | 1,664,775 | 636,078 |
| 2022 | 1,660,000 | 214,600 | 1,777,949 | 596,104 |
| 2023 | 1,790,000 | 148,200 | 1,906,429 | 551,223 |
| 2024 | 1,915,000 | 76,600 | 2,320,000 | 191,052 |
| 2025-29 | - | - | 5,816,531 | 7,123,173 |
| 2030-34 | - | - | 3,470,350 | 9,409,650 |
| TOTALS | <u>\$ 6,910,000</u> | <u>\$ 992,200</u> | <u>\$ 18,005,441</u> | <u>\$ 19,683,726</u> |

12. PROPERTY TAX LIMITATION

The voters of the State of Oregon imposed a constitutional limit on property taxes for schools and non-school government operations. School operations include community colleges, local school districts, and education service districts. The limitation provides that property taxes for school operations are limited to \$5.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt. The result of this requirement has been that school districts have become more dependent upon state funding and less dependent upon property tax revenues as their major source of operating revenue.

The state voters further reduced property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit in 1997. This reduction is accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The State Constitution sets restrictive voter approval requirements for most tax and many fee increases and new bond issues, and requires the State to minimize the impact to school districts from the impact of the tax cuts.

RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

13. RISK MANAGEMENT

There is exposure to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Commercial insurance is purchased to minimize exposure to these risks. Settled claims have not exceeded this commercial coverage for any of the past three fiscal years.

14. COMMITMENTS AND CONTINGENCIES

Substantially all amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although management expects such amounts, if any, to be immaterial.

A substantial portion of operating funding is received from the State of Oregon. State funding is determined through state wide revenue projections that are paid to individual school districts based on pupil counts and other factors in the state school fund revenue formula. Since these projections and pupil counts fluctuate they can cause either increases or decreases in revenue. Due to these future uncertainties at the state level, the future effect on operations cannot be determined.

15. TAX ABATEMENTS

As of June 30, 2019, the District had tax abatements through one state allowed program that impacted their levied taxes: Child Care Facilities, Schools and Student Housing.

Child Care Facilities, Schools, and Student Housing (ORS 307.145):

- Child care facilities, schools, academies and student housing accommodations, owned or being purchased by incorporated charitable institutions or by incorporated religious organizations, used exclusively by such institutions or organizations for or in immediate connection with educational purposes, are exempt from taxation.

For the fiscal year ended June 30, 2019, the District had abated property taxes totaling \$751,071 under this program.

16. RESTATEMENT OF NET POSITION

Due to the current actuarial valuation of the District's OPEB benefits for GASB Statement No. 75, a restatement of the prior year net position was required to correctly record the OPEB liability for Health Insurance at the prior measurement date. The restatement is as follows:

| | |
|---|------------------------------|
| Net Position - Beginning as previously reported | \$ (1,162,163) |
| Change in June 30, 2018 OPEB Liability - Health Insurance | <u>(211,258)</u> |
| Net Position - Beginning as restated | <u><u>\$ (1,373,421)</u></u> |

RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

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RIVERDALE SCHOOL DISTRICT NO 51JT
MULTNOMAH COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

At June 30, 2019

PERS

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

| Year Ended June 30, | (a) Employer's proportion of the net pension liability (NPL) | (b) Employer's proportionate share of the net pension liability (NPL) | (c) Employer's covered payroll | (b/c) NPL as a percentage of covered payroll | Plan fiduciary net position as a percentage of the total pension liability |
|---------------------|--|---|---|--|--|
| 2019 | 0.048 % | \$ 7,276,953 | \$ 4,108,389 | 177.1 % | 82.1 % |
| 2018 | 0.046 | 6,174,321 | 4,814,455 | 128.2 | 83.1 |
| 2017 | 0.041 | 6,095,584 | 5,414,218 | 112.6 | 80.5 |
| 2016 | 0.035 | 1,984,929 | 4,219,086 | 47.0 | 91.9 |
| 2015 | 0.034 | (768,380) | 3,864,299 | (19.9) | 103.6 |
| 2014 | 0.034 | 1,729,885 | 4,269,416 | 40.5 | 92.0 |

The amounts presented for each fiscal year were actuarially determined at 12/31 and rolled forward to the measurement date of 6/30 for each year presented.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

SCHEDULE OF CONTRIBUTIONS

| | Statutorily required contribution | Contributions in relation to the statutorily required contribution | Contribution deficiency (excess) | Employer's covered payroll | Contributions as a percent of covered payroll |
|------|---|---|--|----------------------------------|--|
| 2019 | \$ 999,043 | \$ 999,043 | \$ - | \$ 4,174,491 | 23.9 % |
| 2018 | 1,109,403 | 1,109,403 | - | 4,108,389 | 27.0 |
| 2017 | 739,488 | 739,488 | - | 4,814,455 | 15.4 |
| 2016 | 697,934 | 697,934 | - | 5,414,218 | 12.9 |
| 2015 | 803,450 | 803,450 | - | 4,219,086 | 19.0 |
| 2014 | 731,719 | 731,719 | - | 3,864,299 | 18.9 |

The amounts presented for each fiscal year were actuarially determined at 12/31 and rolled forward to the measurement date of 6/30 for each year presented.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

RIVERDALE SCHOOL DISTRICT
MULTNOMAH COUNTY, OREGON
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POST EMPLOYMENT BENEFITS
June 30, 2019

**OPEB: (HEALTH INSURANCE)
SCHEDULE OF FUNDING PROGRESS**

| Year Ended June, 30 | OPEB Liability Beginning of Year | Service Cost | Liability Interest | Changes of Benefit Terms | Changes of Assumptions | Benefit Payments | OPEB Liability End of Year | Estimated Covered Payroll | Total OPEB Liability as a % of Covered Payroll |
|---------------------|----------------------------------|--------------|--------------------|--------------------------|------------------------|------------------|----------------------------|---------------------------|--|
| 2019 | \$ 274,090 | \$ 34,979 | \$ 10,771 | - | \$ (5,978) | (16,546) | 297,316 | \$ N/A | * N/A |
| 2018 | 259,624 | 36,211 | 8,206 | - | (14,080) | (15,871) | 274,090 | N/A | N/A |
| 2017 | N/A | N/A | N/A | N/A | N/A | N/A | 259,624 | N/A | N/A |

The above table presents the most recent calculation of the post-retirement health insurance under GASB 75 and it provides information about the total plan unfunded liability.

This Schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

* Information not available

RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2019

| | <u>GENERAL FUND</u> | | | |
|----------------------------|----------------------------|-------------------------|-------------------|---|
| | <u>ORIGINAL BUDGET</u> | <u>FINAL BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE FROM FINAL BUDGET</u> |
| REVENUES: | | | | |
| From Local Sources | \$ 5,758,237 | \$ 5,758,237 | \$ 5,822,961 | \$ 64,724 |
| From State Sources | 3,254,028 | 3,254,028 | 3,431,899 | 177,871 |
| From Federal Sources | 45 | 45 | 13,864 | 13,819 |
| | | | | |
| Total Revenues | <u>9,012,310</u> | <u>9,012,310</u> | <u>9,268,724</u> | <u>256,414</u> |
| EXPENDITURES: | | | | |
| Instruction | 5,349,210 | 5,500,000 (1) | 5,423,448 | 76,552 |
| Support Services | 3,508,118 | 3,357,328 (1) | 3,569,257 | (211,929) |
| Contingency | 325,983 | 325,983 (1) | - | 325,983 |
| | | | | |
| Total Expenditures | <u>9,183,311</u> | <u>9,183,311</u> | <u>8,992,705</u> | <u>190,606</u> |
| | | | | |
| Net Change in Fund Balance | (171,001) | (171,001) | 276,019 | 447,020 |
| | | | | |
| Beginning Fund Balance | <u>350,000</u> | <u>350,000</u> | <u>598,459</u> | <u>248,459</u> |
| | | | | |
| Ending Fund Balance | <u>\$ 178,999</u> | <u>\$ 178,999</u> | <u>\$ 874,478</u> | <u>\$ 695,479</u> |

(1) Appropriation Level

RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2019

| | <u>SPECIAL REVENUE FUND</u> | | | |
|----------------------------|-----------------------------|-------------------------|-------------------|---|
| | <u>ORIGINAL BUDGET</u> | <u>FINAL BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE FROM FINAL BUDGET</u> |
| REVENUES: | | | | |
| From Local Sources | \$ 686,833 | \$ 686,833 | \$ 712,145 | \$ 25,312 |
| From State Sources | 107,025 | 107,025 | 108,140 | 1,115 |
| From Federal Sources | 164,563 | 164,563 | 11,703 | (152,860) |
| Total Revenues | <u>958,421</u> | <u>958,421</u> | <u>831,988</u> | <u>(126,433)</u> |
| EXPENDITURES: | | | | |
| Instruction | 1,329,563 | 1,329,563 (1) | 684,708 | 644,855 |
| Support Services | 204,188 | 204,188 (1) | 94,242 | 109,946 |
| Community Services | 19,482 | 19,482 (1) | 6,630 | 12,852 |
| Total Expenditures | <u>1,553,233</u> | <u>1,553,233</u> | <u>785,580</u> | <u>767,653</u> |
| Net Change in Fund Balance | (594,812) | (594,812) | 46,408 | 641,220 |
| Beginning Fund Balance | <u>594,812</u> | <u>594,812</u> | <u>549,067</u> | <u>(45,745)</u> |
| Ending Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 595,475</u> | <u>\$ 595,475</u> |

(1) Appropriation Level

RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

SUPPLEMENTARY INFORMATION

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RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2019

DEBT SERVICE FUND

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE FROM FINAL BUDGET |
|----------------------------|--------------------|--------------------|-------------------|----------------------------------|
| REVENUES: | | | | |
| From Local Sources | \$ 1,746,645 | \$ 1,746,645 | \$ 1,714,117 | \$ (32,528) |
| Total Revenue | <u>1,746,645</u> | <u>1,746,645</u> | <u>1,714,117</u> | <u>(32,528)</u> |
| EXPENDITURES: | | | | |
| Long-Term Debt Service: | | | | |
| Redemption of Principal | 1,430,845 | 1,430,845 (1) | 1,390,000 | 40,845 |
| Interest | <u>325,800</u> | <u>325,800 (1)</u> | <u>325,800</u> | <u>-</u> |
| Total Debt Service | <u>1,756,645</u> | <u>1,756,645</u> | <u>1,715,800</u> | <u>40,845</u> |
| Total Expenditures | <u>1,756,645</u> | <u>1,756,645</u> | <u>1,715,800</u> | <u>40,845</u> |
| Net Change in Fund Balance | (10,000) | (10,000) | (1,683) | 8,317 |
| Beginning Fund Balance | <u>10,000</u> | <u>10,000</u> | <u>441,212</u> | <u>431,212</u> |
| Ending Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 439,529</u> | <u>\$ 439,529</u> |

(1) Appropriation Level

RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2019

PENSION OBLIGATION BOND FUND

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE FROM FINAL BUDGET |
|----------------------------|--------------------|-----------------|------------|----------------------------------|
| REVENUES: | | | | |
| From Local Sources | \$ 324,660 | \$ 324,660 | \$ 421,125 | \$ 96,465 |
| Total Revenue | 324,660 | 324,660 | 421,125 | 96,465 |
| EXPENDITURES: | | | | |
| Long-Term Debt Service: | | | | |
| Redemption of Principal | 130,000 | 130,000 (1) | 121,523 | 8,477 |
| Interest | 329,800 | 329,800 (1) | 312,929 | 16,871 |
| Dues and Fees | 1,600 | 1,600 (1) | 1,600 | - |
| Total Debt Service | 461,400 | 461,400 | 436,052 | (25,348) |
| Total Expenditures | 461,400 | 461,400 | 436,052 | (25,348) |
| Net Change in Fund Balance | (136,740) | (136,740) | (14,927) | 121,813 |
| Beginning Fund Balance | 136,740 | 136,740 | 236,373 | 99,633 |
| Ending Fund Balance | \$ - | \$ - | \$ 221,446 | \$ 221,446 |

(1) Appropriation Level

RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

SCHEDULE OF REVENUES EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2019

| | <u>CAPITAL PROJECTS FUND</u> | | | |
|---|------------------------------|--------------------------|----------------------|---|
| | <u>ORIGINAL BUDGET</u> | <u>FINAL BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE FROM FINAL BUDGET</u> |
| REVENUES: | | | | |
| From Local Sources | <u>\$ 1,200</u> | <u>\$ 1,200</u> | <u>\$ 2,452</u> | <u>\$ 1,252</u> |
| Total Revenue | <u>1,200</u> | <u>1,200</u> | <u>2,452</u> | <u>1,252</u> |
| EXPENDITURES: | | | | |
| Facilities Acquisition and Construction | <u>69,891</u> | <u>69,891 (1)</u> | <u>-</u> | <u>69,891</u> |
| Total Expenditures | <u>69,891</u> | <u>69,891</u> | <u>-</u> | <u>69,891</u> |
| Net Change in Fund Balance | <u>(68,691)</u> | <u>(68,691)</u> | <u>2,452</u> | <u>71,143</u> |
| Beginning Fund Balance | <u>187,157</u> | <u>187,157</u> | <u>69,475</u> | <u>(117,682)</u> |
| Ending Fund Balance | <u><u>\$ 118,466</u></u> | <u><u>\$ 118,466</u></u> | <u><u>71,927</u></u> | <u><u>\$ (46,539)</u></u> |

(1) Appropriation Level

RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

SCHEDULE OF REVENUES EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2019

CONSTRUCTION EXCISE TAX FUND

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE FROM FINAL BUDGET |
|---|--------------------|-----------------|-----------|----------------------------------|
| REVENUES: | | | | |
| From Local Sources | \$ 25,000 | \$ 25,000 | \$ 17,352 | \$ (7,648) |
| Total Revenue | 25,000 | 25,000 | 17,352 | (7,648) |
| EXPENDITURES: | | | | |
| Support Services | 129,292 | 129,292 (1) | 39,634 | 89,658 |
| Facilities Acquisition and Construction | 14,174 | 14,174 (1) | 2,701 | 11,473 |
| Total Expenditures | 143,466 | 143,466 | 42,335 | 101,131 |
| Net Change in Fund Balance | (118,466) | (118,466) | (24,983) | 93,483 |
| Beginning Fund Balance | 187,157 | 187,157 | 118,466 | (68,691) |
| Ending Fund Balance | \$ 68,691 | \$ 68,691 | 93,483 | \$ 24,792 |

(1) Appropriation Level

RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED
For the Year Ended June 30, 2019

| <u>TAX YEAR</u> | <u>ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/2018</u> | <u>DEDUCT DISCOUNTS</u> | <u>ADJUSTMENTS TO ROLLS</u> | <u>ADD INTEREST</u> | <u>CASH COLLECTIONS BY COUNTY TREASURER</u> | <u>BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/2019</u> |
|----------------------|--|-----------------------------|-------------------------------------|-------------------------|---|---|
| <u>GENERAL FUND:</u> | | | | | | |
| CURRENT: | | | | | | |
| 2018-19 | \$ 3,641,653 | \$ 95,802 | \$ (10,399) | \$ 1,083 | \$ 3,481,833 | \$ 54,702 |
| PRIOR YEARS: | | | | | | |
| 2017-18 | 54,064 | (260) | (12,451) | 1,511 | 17,121 | 26,263 |
| 2016-17 | 25,625 | 140 | (2,088) | 1,493 | 12,999 | 11,891 |
| 2015-16 | 17,158 | 187 | (2,156) | 1,615 | 11,741 | 4,689 |
| 2014-15 | 21,266 | 477 | (1,541) | 1,306 | 19,469 | 1,085 |
| Prior Years | 74,233 | 1,533 | (10,713) | 383 | 54,726 | 7,644 |
| Total Prior | 192,346 | 2,077 | (28,949) | 6,308 | 116,056 | 51,572 |
| Total General Fund | \$ 3,833,999 | \$ 97,879 | \$ (39,348) | \$ 7,391 | \$ 3,597,889 | \$ 106,274 |

RECONCILIATION TO REVENUE:

| | <u>GENERAL FUND</u> |
|--|-------------------------|
| Cash Collections by County Treasurer Above | \$ 3,597,889 |
| Accrual of Receivables: | |
| June 30, 2018 | (70,986) |
| June 30, 2019 | 6,018 |
| Taxes in Lieu | (16,579) |
| Total Revenue | \$ 3,516,342 |

RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED
For the Year Ended June 30, 2019

| <u>TAX YEAR</u> | <u>ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/2018</u> | <u>DEDUCT DISCOUNTS</u> | <u>ADJUSTMENTS TO ROLLS</u> | <u>ADD INTEREST</u> | <u>CASH COLLECTIONS BY COUNTY TREASURER</u> | <u>BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/2019</u> |
|-------------------------|--|-----------------------------|-------------------------------------|-------------------------|---|---|
| <u>DEBT SERVICE</u> | | | | | | |
| CURRENT: | | | | | | |
| 2018-19 | \$ 1,752,052 | 46,091 | \$ (5,003) | \$ 521 | \$ 1,675,160 | \$ 26,319 |
| PRIOR YEARS: | | | | | | |
| 2017-18 | 27,741 | (134) | (6,392) | 775 | 8,777 | 13,481 |
| 2016-17 | 13,282 | 73 | (1,077) | 774 | 6,740 | 6,166 |
| 2015-16 | 10,502 | 114 | (1,317) | 989 | 7,189 | 2,871 |
| 2014-15 | 10,887 | 244 | (788) | 668 | 9,968 | 555 |
| Prior Years | 43,663 | 1,215 | 5,282 | 294 | 42,098 | 5,926 |
| Total Prior | 106,075 | (16) | (4,292) | 3,500 | 74,772 | 28,999 |
| Total Debt Service Fund | \$ 1,858,127 | \$ 46,075 | \$ (9,295) | \$ 4,021 | \$ 1,749,932 | \$ 55,318 |

RECONCILIATION OF REVENUE:

| | <u>DEBT SERVICE FUND</u> |
|--|------------------------------|
| Cash Collections by County Treasurer Above | \$ 1,749,932 |
| Accrual of Receivables: | |
| June 30, 2018 | (68,478) |
| June 30, 2019 | 5,619 |
| Taxes in Lieu | 13,973 |
| Total Revenue | \$ 1,701,046 |

RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

OTHER INFORMATION

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RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

SCHEDULE OF FUTURE REQUIREMENTS OF BONDED DEBT
June 30, 2019

| FISCAL YEAR ENDING | ISSUE OF 4/3/03 | | ISSUE OF 2/26/09 | | ISSUE OF 4/28/15 | | TOTAL OF ALL ISSUES | |
|--------------------------|---------------------|-----------------------|---------------------|------------------------|---------------------|-------------------|----------------------|----------------------|
| | PRINCIPAL | INTEREST 1.15-6.3% | PRINCIPAL | INTEREST 2.5 - 5.7% | PRINCIPAL | INTEREST 4.00% | PRINCIPAL | INTEREST |
| | DUE 6/30 | DUE 6/30 | DUE 6/15 | DUE 12/15 & 6/15 | DUE 6/30 | DUE 6/30 | | |
| 6/30/2020 | \$ 120,010 | \$ 334,443 | \$ 929,397 | \$ 565,603 | \$ - | \$ 276,400 | \$ 1,049,407 | \$ 1,176,446 |
| 6/30/2021 | 119,775 | 359,678 | - | - | 1,545,000 | 276,400 | 1,664,775 | 636,078 |
| 6/30/2022 | 117,949 | 381,504 | - | - | 1,660,000 | 214,600 | 1,777,949 | 596,104 |
| 6/30/2023 | 116,429 | 403,023 | - | - | 1,790,000 | 148,200 | 1,906,429 | 551,223 |
| 6/30/2024 | 405,000 | 114,452 | - | - | 1,915,000 | 76,600 | 2,320,000 | 191,052 |
| 6/30/2025 | 430,000 | 91,732 | 911,555 | 1,183,445 | - | - | 1,341,555 | 1,275,177 |
| 6/30/2026 | 455,000 | 67,308 | 874,628 | 1,280,372 | - | - | 1,329,628 | 1,347,680 |
| 6/30/2027 | 480,000 | 41,464 | 838,649 | 1,381,351 | - | - | 1,318,649 | 1,422,815 |
| 6/30/2028 | 250,000 | 14,200 | 803,246 | 1,481,754 | - | - | 1,053,246 | 1,495,954 |
| 6/30/2029 | - | - | 773,453 | 1,581,547 | - | - | 773,453 | 1,581,547 |
| 6/30/2030 | - | - | 744,621 | 1,680,380 | - | - | 744,621 | 1,680,380 |
| 6/30/2031 | - | - | 718,425 | 1,781,575 | - | - | 718,425 | 1,781,575 |
| 6/30/2032 | - | - | 691,851 | 1,883,149 | - | - | 691,851 | 1,883,149 |
| 6/30/2033 | - | - | 668,198 | 1,981,803 | - | - | 668,198 | 1,981,803 |
| 6/30/2034 | - | - | 647,255 | 2,082,743 | - | - | 647,255 | 2,082,743 |
| 6/30/2035 | - | - | - | - | - | - | - | - |
| | <u>\$ 2,494,163</u> | <u>\$ 1,807,804</u> | <u>\$ 8,601,278</u> | <u>\$ 16,883,722</u> | <u>\$ 6,910,000</u> | <u>\$ 992,200</u> | <u>\$ 18,005,441</u> | <u>\$ 19,683,726</u> |

RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

SCHEDULE OF BOND TRANSACTIONS
For the Year Ended June 30, 2019

| <u>ISSUE DATE</u> | <u>OUTSTANDING MATURED BONDS 7/1/2018</u> | <u>BONDS MATURED DURING YEAR</u> | <u>BONDS PAID</u> | <u>OUTSTANDING MATURED BONDS 6/30/2019</u> |
|-----------------------|---|--|-----------------------|--|
| 4/3/2003 (a) | \$ 2,615,686 | \$ 121,523 | \$ 121,523 | \$ 2,494,163 |
| 2/26/2009 (b) | 9,991,278 | 1,390,000 | 1,390,000 | 8,601,278 |
| 4/28/2015 (b) | <u>6,910,000</u> | <u>-</u> | <u>-</u> | <u>6,910,000</u> |
| Total | <u>\$ 19,516,964</u> | <u>\$ 1,511,523</u> | <u>\$ 1,511,523</u> | <u>\$ 18,005,441</u> |

(a) The PERS Bond issue of 4/3/03 debt service payments are charged to Instruction and Support Services to the PERS UAL Contribution object code in the General and Special Revenue Funds and paid out of the Pension Obligation Bonds Fund.

(b) These bonds are paid from the General Obligation Bonds Fund.

Payments Made From

| | |
|------------------------------|---------------------|
| Pension Obligation Bond Fund | \$ 121,523 |
| General Obligation Bond Fund | <u>1,390,000</u> |
| Total | <u>\$ 1,511,523</u> |

RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

SUPPLEMENTAL INFORMATION
AS REQUIRED BY THE OREGON DEPARTMENT OF EDUCATION
For the Year Ended June 30, 2019

A. Energy bills for heating - all funds:

| | <u>Object 325, 326, & 327</u> |
|---------------|-----------------------------------|
| Function 2540 | \$ 362,467 |
| Function 2550 | - |

B. Replacement of equipment - General Fund

Include all General Fund expenditures in object 542, except for the following exclusions:

Exclude These Functions

| | | | <u>Amount</u> |
|--------------------|--------------------------|------|----------------------|
| 1113, 1122, & 1132 | Co-curricular Activities | 4150 | Construction |
| 1140 | Pre-Kindergarten | 2550 | \$ - |
| 1300 | Continuing Education | 3100 | Pupil Transportation |
| 1400 | Summer School | 3300 | Food Service |
| | | | Community Services |

RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

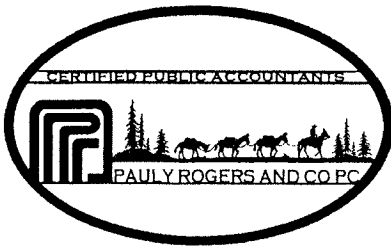
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
As Required by The Oregon Department of Education
For the Year Ended June 30, 2019

| <u>PROGRAM TITLE</u> | <u>PASS THROUGH ORGANIZATION</u> | <u>PASS THROUGH ENTITY NUMBER</u> | <u>FEDERAL CFDA NUMBER</u> | <u>GRANT PERIOD</u> | <u>EXPENDITURES</u> |
|---|---------------------------------------|---|------------------------------------|---------------------|---------------------|
| U.S. DEPARTMENT OF EDUCATION | | | | | |
| IDEA Part B, Section 611 2017-18 | Office of Learning - Student Services | 45252 | 84.027 | 7/1/17 - 9/30/19 | \$ 10,750 |
| IDEA Part B, Section 619 2017-18 | Office of Learning - Student Services | 45497 | 84.173 | 7/1/17 - 9/30/19 | 485 |
| Title I-A | Office of Learning - Student Services | 45685 | 84.010 | 7/1/17 - 9/30/19 | 25,128 |
| Title II-A - Teacher | Office of Learning - Student Services | 45901 | 84.367 | 7/1/17 - 9/30/19 | 6,437 |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | | | 42,800 |
| TOTAL FEDERAL EXPENDITURES | | | | | <u>\$ 42,800</u> |
| Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances: | | | | | |
| Federal expenditures recognized | | | | | \$ 42,800 |
| Accruals/Deferrals | | | | | (17,233) |
| Federal revenue on Statement of Revenues, Expenditures, and Changes in Fund Balances: | | | | | <u>\$ 25,567</u> |

RIVERDALE SCHOOL DISTRICT 51J
MULTNOMAH COUNTY, OREGON

2018-19 INDEPENDENT AUDITORS' REPORT
REQUIRED BY OREGON STATE REGULATIONS

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December 11, 2019

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of Riverdale School District 51J (the District) as of and for the year ended June 30, 2019, and have issued our report thereon dated December 11, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of basic financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**
- **Programs funded from outside sources.**
- **State school fund factors and calculation.**
- **Authorized investment of surplus funds (ORS Chapter 294).**

In connection with our testing nothing came to our attention that caused us to believe the Riverdale School District 51J was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except as follows:

1. Expenditures were within authorized appropriations except as noted on page 13.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the internal controls over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal controls over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal controls over financial reporting.

We noted a matter involving the internal control structure and its operation that we consider to be a significant deficiency under standards established by the American Institute of Certified Public Accountants, which is noted in our management letter dated December 11, 2019.

This report is intended solely for the information and use of the Board of Directors and management and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

A handwritten signature in black ink that reads "Roy R Rogers". The signature is written in a cursive style with a large, stylized "R" and "R".

Roy R. Rogers, CPA
PAULY, ROGERS AND CO., P.C.